GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2714
ANSWERED ON:17.03.2017
Interest Subvention Scheme
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to continue the subsidy on short term crop loans and if so, the details thereof;
(b) whether the Government also proposes to provide cheap loans or low interest loans under the interest subsidy scheme to farmers who make timely repayment of loans and if so, the details thereof along with the total number of farmers likely to be benefited thereby in the country, State/UT-wise;
(c) whether the Government intends to provide 75 percent of the amount of interest subvention in the beginning of the financial year or to provide 75 percent of interest subvention as interest free revolving fund to Cooperative Banks; and
(d) the other steps taken/being taken by the Government to improve the financial situation of the farmers?

Answer

The Minister of State in the Ministry of Finance

(a) to (c): The Government in the Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) has approved the Interest Subvention Scheme for short term crop loans upto Rs.3.00 lakh for the year 2016-17 as per details given below:

â€¢ With a view to ensure availability of agriculture credit at a reduced interest rate of 7% p.a. to the farmers, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Besides 2% interest subvention given to banks so that they lend the short term crop loan upto Rs.3.00 lakh @ 7% p.a., additional 3% incentive is given to the farmers for prompt repayment of the loan, reducing the effective rate of interest to 4%.

â€¢ In order to discourage distress sale of crops by small and marginal farmers, the benefit of interest subvention of 2%is extended to such farmers for a further period of up to six months against negotiable warehouse receipts.

â€¢ To provide relief to farmers affected by natural calamities, the interest subvention of two percent is available to banks for the first year on the restructured amount. Such restructured loans may attract normal rate of interest from the second year onwards as per the policy laid down by the RBI.

Reserve Bank of India (RBI) & National Bank for Agriculture and Rural Development (NABARD) have reported that they have no information regarding the number of farmers to be benefitted under the Interest Subvention Scheme during the current year.

(c): There is no such proposal under consideration of the Government to provide 75% of the amount of Interest Subvention in the beginning of the financial year or to provide 75% of interest subvention as interest free revolving fund to Cooperative Banks.

(d): Steps taken by Government to improve the financial situation of the farmers are as follows:

i. Government fixes agriculture credit disbursement targets for the banking sector every year and banks have consistently surpassed these targets

ii. The Priority Sector Lending (PSL) directions of RBI mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture including loans to farmers. Further, a sub-target of 8% for small and marginal farmers has also been fixed.

iii. Loans to distressed farmers and to other persons (not exceeding Rs. 1,00,000/- per borrower) indebted to non-institutional lenders is an eligible category under PSL, to enable them to repay their debt to non-institutional lenders.

iv. In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash to satisfy their agricultural and consumption needs.The KCC Scheme has since been simplified. It has the provision of ATM enabled debit card with, inter alia, facilities of one-time documentation and built-in cost escalation in the limit, etc.

v. To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.
vi. The Government decided that an additional grace period of 60 days for prompt repayment incentive @ 3% will be provided to such of the farmers whose crop loans dues fall due between 01/11/2016 to 31/12/2016 and if such farmers repay the same within 60 days

from their due date in this period.

vii. The Government also decided to grant interest waiver for two months (November and December, 2016) for all short term crop loan availed from Cooperative Banks between 01.04.2016 to 30.09.2016 and upfront deposit of the same in the accounts of the concerned farmers.

viii. NABARD will make short term borrowings at prevailing market rate of interest for approx. Rs. 20,000 crore for on-lending to Cooperative Banks at 4.5% rate of interest.